Supreme Court, U. S.
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IN THE

Supreme Court of the United States

October Term, 1977
No. 77-107

WESTERN PHARMACAL COMPANY, a Utah corporation,
Petitioner,

vs.

AMFAC DISTRIBUTING CORPORATION, a California corporation, dba WESTERN DRUG SUPPLY CO.,
Respondent.

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

This is a diversity action involving alleged common law trademark infringement and unfair competition that was tried in the United States District Court for the District of Utah before Chief Judge Willis W. Ritter. The case was before the Court of Appeals for the Tenth Circuit on three different occasions. The three unpublished opinions form the Appendix to the Petition. In the first appeal, the Court of Appeals affirmed the District Court's holding of infringement, but reversed an award of damages of $10,000 as a windfall which violated the Court's sense of fairness, and remanded the case for further proceedings on the issue of damages as to which no evidence had been introduced at the trial. Upon remand, the District

Court, without a further evidentiary hearing or accounting, awarded Petitioner the sum of $144,000 which purported to be Respondent's profits during the period of infringement. The Court of Appeals again reversed, saying that it would be "unconscionable and result in the very type of undue enrichment which equity abhors" to allow such a recovery, and again remanded the case for an evidentiary hearing, cautioning the District Court against the entry of "a truly harsh result." After denying Respondent the opportunity to take any discovery, the District Court held a hearing on February 19 and 20, 1976, after which the District Court awarded Petitioner the sum of $2,836,047, of which $500,000 was assigned as Petitioner's damages and the remainder as Respondent's "profits" (in reality, Respondent's gross income, as the Court permitted no deductions for normal business expenses). The Court of Appeals once again reversed, noting that its sense of fairness was once again violated, and holding that there was no legal foundation for an award of damages, and that the equities of the case having become more manifest, no award of profits was justified. It is this decision that the Petitioner attacks.

Statutory Provisions Involved.

Contrary to the assertion made in the Petition, Section 1117 of Title 15, United States Code, is not involved. This case is not concerned with a federally registered trademark, but rather common law trademark rights controlled by the law of the State of Utah.

ARGUMENT.

1. The Petition Presents No Question Appropriate for Review.

This case does not present any issue justifying or requiring review by this Court. It is nothing more than a garden variety commercial dispute that was resolved by the Court of Appeals to the dissatisfaction of Petitioner. No federal question of any kind is involved—the case is one involving only common law trademark and unfair competition questions limited to the State of Utah and calling into play only the laws of that state.

The briefest consideration of the questions presented for review by the Petition can leave no doubt that there are no special and important reasons for granting the writ sought. No conflict with a decision in another court of appeals or Utah court is urged, nor has any novel federal question been urged. Instead the Petition asks the Court to establish a national trademark policy in various respects, ignoring that such a national policy was long ago established by Congress in the form of the Lanham Act (15 U.S.C. 1051 et seq.), and further ignoring that this case is controlled, not by federal law, but by the laws of the State of Utah. In this regard, it is noteworthy that Petitioner cites not a single Utah statute or case to support its position that it has been wronged, or that this Court should accept the case for review.

The thrust of the particular questions presented for review is threefold: first, that the Court of Appeals failed to follow this Court's decision in *Mishawaka Rubber and Woolen Mfg. Co. v. S. S. Kresge Co.*, 316 U.S. 203, 86 L.Ed. 1381, 625 S.Ct. 1022 (1941),

and its own decision in *Blue Bell Co. v. Frontier Oil Refining Co.*, 213 F.2d 354 (10 Cir. 1954); second, that the Court of Appeals was somehow procedurally in error in considering the evidence on profits and damages that was, and could have only been, in the record before it for the first time on the last appeal; and third, that the Court of Appeals erred in rejecting Petitioner's theory of damages. We shall briefly treat each of these contentions in order.

2. The Decision of the Court of Appeals Is Not in Conflict With Prior Decisions of This or Any Other Court.

As we have noted, the Petitioner, despite the fact that this is a diversity case in which the law of Utah controls, *Erie Railroad v. Tompkins*, 304 U.S. 64, 82 L.Ed. 1188, 58 S.Ct. 817 (1938), cites no Utah law or statute with which the decision of the Court of Appeals might be in conflict. Instead, Petitioner relies on its incorrect interpretation of this Court's decision in *Mishawaka Rubber and Woolen Mfg. Co. v. S. S. Kresge Co., supra.* This reliance is totally misplaced. *Mishawaka* involved a federally registered trademark, not common law rights; however, we do not rely on this distinction alone, critical though it is to the propriety of the Petition. Much more importantly, it is incontestably clear from the opinions of the Court of Appeals that it intended to, and did, follow the principles pronounced in *Mishawaka* and *Blue Bell Co. v. Frontier Oil Refining Co., supra.* Contrary to Petitioner's contention, these cases do not require that an infringer's profits be turned over to a trademark owner, but only that they may be if equity would thus be done. As pointed out in *Champion Spark*

Plug Co. v. Sanders, 331 U.S. 125, 91 L.Ed. 1386, 67 S.Ct. 1136 (1947), an accounting is not necessary where an injunction will satisfy the equities of the case. Even if an accounting is ordered, this is not a determination that the trademark owner is entitled to recover profits or damages—only that he be given a day in court for the purpose of establishing that he is entitled to them. *Obear-Nester Glass Co. v. United Drug Co.*, 149 F.2d 671, 673 (8 Cir. 1945). Petitioner was given its chance but, after a review of the record, the Court of Appeals found that Petitioner simply did not suffer any compensable damages, and that Respondent's infringement resulted in no substantial gain to it, i.e., none of Respondent's profits were attributable to any infringement.

3. The Court of Appeals Acted Properly in Confining the Relief Granted to That Supported by Equitable Considerations.

Stated bluntly, the Petitioner attacks the Court of Appeals for doing equity. The Petitioner seems to complain that having once ruled on infringement, the Court of Appeals was thereafter compelled to close its eyes and its mind to equitable factors that surfaced later in the proceedings. The Petitioner is oblivious to, or deliberately chooses to ignore, the plain fact that no evidence concerning damages or profits was, or could have been, presented to the Court of Appeals until the last appeal. No authority is cited for Petitioner's remarkable proposition that having once approved an accounting of profits, a Court of Appeals cannot thereafter review the results of that accounting to determine if any awardable profits have been shown by it. This

is not surprising as the law, of course, is otherwise. Even though policy considerations favor the principle that matters decided earlier become the law of the case, this rule does not apply if the evidence at a subsequent trial presents a materially different situation, *General Motors Accept. Corp. v. Mid-West Chevrolet Co.*, 74 F.2d 312, 317 (1 Cir. 1940); *Reynolds Spring Co. v. L. A. Young Industries,* 101 F.2d 257, 259 (6 Cir. 1939). In the present case, the evidence relating to damages and profits was never adduced until the hearing in February 1976, and the Court had no opportunity prior to the latest appeal to pass on them, and then obviously had not only the right, but the duty to do so.

4. The Question of Damages Presents No Issue Requiring Review.

The third aspect of the questions presented for review —that relating to Petitioner's damages as distinguished from Respondent's profits—is not presented with even the suggestion that it falls within the guidelines of Rule 19 of this Court. The issue is a simple one—is the prevailing litigant in a conventional business tort case entitled to its attorneys' fees, costs of litigation, and speculative profits it might have made had it chosen not to litigate—and, in deciding it, the Court of Appeals followed well established federal and Utah authorities, e.g., *Carter Electric Co. v. Travelers Indemnity Co.*, 382 F.2d 567 (10 Cir. 1967); *B&R Supply Co. v. Bringhurst*, 503 P.2d 1216 (Utah 1972); *Blake v. Blake*, 412 P.2d 454 (Utah 1966). On this question, there is no issue, let alone one that is appropriate for review by this Court.

Conclusion.

We respectfully submit that the Court of Appeals acted properly in all respects and that the Petition presents no question that requires review by this Court. The Petition should therefore be denied.

JAMES W. GERIAK,

Attorney for Respondent.